

THE URBAN GAMBLE: First of Two Parts

High-stakes dreams

Oakland hopes to hit jackpot with casinos but can it beat odds?

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(05-27) 04:00 PDT Detroit -- Demetria Mims had never set foot in a casino until three Las Vegas-style gambling halls began opening here two years ago. She landed a job at MotorCity Casino, where she books limos and hotel rooms for high rollers at nearly double her old salary.

Marquita Crockett was also a newcomer to gambling. With her husband in jail, she turned to the casinos' blackjack tables and slot machines in hopes of paying her mounting bills. Instead, within seven months, she had lost \$10,000, her car and even the electricity in the home she shares with her 4-year-old son.

Detroit, a once-abandoned city pushing for a rebound, has become the nation's largest testing ground for urban casinos, which bring in more than \$2 million a day here. Its experience with inner-city gambling shows that as in any high-stakes game, there are no winners without losers.

In the Bay Area, the cities of Oakland and San Pablo are looking to follow Detroit's lead, angling to bring the big-money glitz of Vegas casinos to the region's urban areas. They see an unbeatable jackpot in the millions of tax dollars that would pour into city coffers, with the added bonus of creating jobs and drawing tourists.

But opponents worry that casinos will attract crime and corruption. They fear that making gambling easily accessible will attract too many people who can't afford it and who can't stop.

And the country's two best examples of big-city casinos -- in Detroit and New Orleans -- are proof that such gambles don't always live up to their promises of economic prosperity.

"Typically, (casino development) is not going to be the windfall proponents claim," said William Eadington, director of the Institute for the Study of Gambling and Commercial Gaming at the University of Nevada, Reno. But it won't be "the disaster opponents claim, either."

Still, Eadington has this warning for cities that think they can re-create a little bit of Las Vegas in their backyards: "The economic gains for urban casinos are less than for destination resort casinos, and the social problems are greater."

By 1988, only two states -- Nevada and New Jersey -- had legalized casinos. Little more than a decade later, that number has grown to 33. Americans spent \$30 billion in casinos in 1999.

The exponential growth has been fueled by two key factors: impoverished American Indian tribes and hard-luck locales turning to casinos as an economic salvation when they couldn't attract other revenues.

Those interests are now colliding in California.

When Californians passed last year's Indian gaming initiative, Proposition 1A, many thought they were legalizing casinos on remote reservations with few other options. But now East Bay cities like San Pablo and Oakland are talking to tribes to get a cut of the action.

An existing card room in San Pablo, off Interstate 80, is on its way to becoming the state's first urban casino. Late last year, Rep. George Miller, D- Martinez, sneaked an amendment into a bill that in effect turned the card room into a reservation for Sonoma County's Lytton band of Pomo Indians -- and set the stage for what is expected to be a fiercely fought battle over urban gaming.

In Oakland, Mayor Jerry Brown and City Manager Robert Bobb have visions of a casino on the former Oakland Army Base, at the foot of the Bay Bridge. Casino revenues would fuel development of a luxury hotel -- which Brown foresees as an architectural wonder designed by famed architect Frank Gehry -- and an American Indian history museum.

And millions of dollars in casino taxes could help the cash-strapped city pay for everything from affordable housing to new sewers to more cops, Bobb said. Still, he concedes that the project is "a long shot."

"It's going to be a very, very difficult project to put together," said Bobb. "But the benefits are huge. . . . These facilities have become part of America's landscape, and the communities where they are operated have benefited enormously."

Many in Detroit say they don't see those benefits.

Like Oakland, Detroit is a largely minority city that lost much of its economic base when blue-collar jobs left town. In the 1970s, the Motor City had 14 auto plants. Today, it has three.

The two cities now are touting a renaissance -- with construction projects dotting their landscapes -- but Oakland and Detroit suffered from an exodus to the suburbs that left their downtowns shuttered. Both have found it hard to shake their national reputations for crime and grime.

As recently as the mid-'90s, Detroit's prospects looked grim.

"We were still in the grips of a recession," said Greg Bowens, spokesman for Detroit Mayor Dennis Archer. "There was no kind of investment occurring in any real fashion. The joke was: Would the last person in Detroit turn the lights out?"

Against that backdrop, Detroiters, who had rejected the idea four times before, voted to approve casino gambling in 1994. A major impetus: A casino had just opened across the Detroit River in Windsor, Canada, and Detroit residents could see cars, and dollars, streaming across the border.

Two years later, Michigan voters ratified, by a slim margin, three downtown Detroit casinos.

The first of the three, the MGM Grand Detroit, opened to much fanfare in July 1999 in a former Internal Revenue Service office. Five months later, MotorCity Casino opened in what had been a Wonder Bread factory.

Both casinos have a Las Vegas feel and finish, minus the over-the-top theme attractions, such as the roller coasters and gondola rides now popular on the Strip. Not surprisingly, both are owned and operated by large Las Vegas casino companies -- MGM Mirage and Mandalay Bay Resort Group -- in conjunction with local investors.

Greektown Casino was the last to open, in November. It is 90 percent owned by the Sault Ste. Marie tribe of Chippewa Indians from Northern Michigan, and run by a Las Vegas management firm. The Detroit casino, the tribe's sixth, essentially doubles its casino revenues.

"Without gaming, we would be an impoverished Indian community dependent on the ups and downs of federal funding," said tribal spokesman John Hatch, echoing the sentiments of Bay Area tribes seeking casinos.

Together, the three casinos employ 8,200 people -- half of whom are required by law to be Detroit residents -- and rake in nearly \$2.5 million a day.

Workers like Demetria Mims say the casinos offer good wages and a chance for advancement. The single mother was hired as a janitor, promoted to concierge and now earns nearly \$15 an hour, compared to the \$8 an hour she made before at a dry cleaners.

Last year, with Greektown open only two months, the casinos earned \$743 million. Of the total, the state of Michigan collected 8.1 percent -- or \$60 million -- in taxes earmarked for education. Detroit received a 9.9 percent cut, which contributed \$73.5 million -- about 4 percent of the city's \$1.9 billion budget.

A Bay Area casino -- with the maximum 2,000 slot machines allowed under state law -- could reap similar revenues to Detroit's, which have between 2,400 and 2,500 slots. According to industry estimates, slot machines account for 70 percent of casino revenues.

But the tax bonus for the city of Detroit evaporated when the state Legislature revamped how it funds Michigan cities. "As opposed to being extra money, it became replacement money," Bowens said.

While the state of California has diverted local tax dollars in the past, it is unlikely it could single out one city's taxes.

Mozelle Hughes, a 67-year-old lifelong Detroiter, voted for the casinos because she thought they would bring jobs and neighborhood improvements, from better streets to more police officers.

But "to be truthful," she said, as she fed \$1 tokens into a Greektown slot machine, "I haven't seen any benefits yet, as far as money coming into the city and the neighborhoods."

New Orleans, the nation's other big-city casino market, also has failed to meet expectations. Harrah's casino had predicted revenues so high that it would feed \$100 million a year in taxes into state coffers, plus another \$25 million in fees to New Orleans.

Instead, the French Quarter casino -- which has filed for bankruptcy twice -- made only \$250 million last year, far below what it needed to break even. After the casino threatened to close and take 2,800 jobs with it, the state Legislature agreed in March to cut Harrah's taxes in half, and the city dropped its fees by \$5 million.

Experts on the economic impact of casinos say such tax revenues are more advantageous to smaller cities, with smaller budgets, than larger ones.

That means San Pablo, with 30,000 residents and an \$8.3 million general fund budget, stands to gain more than Oakland, with 400,000 citizens and a general fund of \$438 million.

The first year San Pablo's card room was open, the city earned nearly \$3.7 million in taxes, or about 45 percent of its budget, allowing the city to repair streets and increase recreation programs. The number fell to \$1.8 million last year.

The card room conversion to a full casino would add slot machines and change its card games, such as blackjack, to Las Vegas-style (playing against the house). The casino also would guarantee the city \$5 million a year for the first three years. After that, the tax would not exceed 5.4 percent of casino revenues.

But some San Pablo residents forecast negative impacts.

"We have a lot of low-income people here, and it will be real easy for them to walk into a casino and convince themselves they can win," said Luciano Caldera, an eighth-grade teacher.

In Oakland, Mayor Brown believes casino taxes would have a "radical, positive impact" and a gaming hall could attract an architecturally "magnificent" five-star hotel that would "put Oakland on the map." But he said the plan needs public support to move forward.

An even bigger hurdle is that the Oakland land would have to be declared an Indian reservation by the Department of the Interior or Congress, as happened in the San Pablo case, before gambling would be allowed under Proposition 1A.

Oakland first began discussions with the San Jose's Muwekma tribe of Ohlone Indians -- who have yet to be federally recognized -- but Bobb said last week he has one casino proposal from another group and is expecting two more. He said Oakland is committed to the Muwekma but could cut a deal with more than one tribe.

Bobb is in the midst of hiring casino consultants and hopes to bring a plan to the City Council by late July.

One proposal offers between \$44 million and \$263 million a year to the city.

Casino magnate Donald Trump, who met with Brown in Atlantic City, also recently sent a representative to Oakland but has yet to submit a proposal.

But the red flags of compulsive gambling and crime also are raised when casinos expand, particularly into urban areas. There is, however, little consensus on the extent of those problems.

In Detroit, crime fell 4 percent -- compared to only a .3 percent decline nationwide -- between the first half of 1999, before the casinos opened, and the first half of 2000. Robberies, burglaries and thefts all decreased.

But Gamblers Anonymous in Detroit said it has seen its rolls double, with new members, like Marquita Crockett, showing up at every meeting.

A recent United Way study on gambling in Detroit found that 61 percent of residents in the metropolitan area had gambled in the casinos in the past year,

and that 5.7 percent of Detroiters have gambling problems, compared to 3.7 percent of suburbanites.

Experts say compulsive gambling is a greater problem where casinos have a local market than in destination resorts like Las Vegas, whose visitors take their problems home with them.

Detroit's casino market is mostly local -- many customers live less than an hour away. A Bay Area casino is expected to have a similar draw.

Tourists intent on gambling would still travel to Las Vegas or Reno or Lake Tahoe -- rather than the Bay Area -- for more choice, experts said. But locals "who might go to Tahoe once a month might go to this casino twice a week because of convenience," said Eadington of the University of Nevada.

Some experts also question the economic benefits of casinos that attract mostly locals.

"You have to bring in visitors," said Timothy Ryan, dean of the College of Business at the University of New Orleans. "If I live in New Orleans and spend \$100 in the casino, I might have spent it at a movie theater or restaurant. It's not a new impact."

Detroit had hoped to make its casinos more attractive to out-of-towners by grouping all three in a riverfront casino/hotel complex. But the land was too expensive, so the deal fell through.

Still, there is no question that Detroit's casinos are attracting people to downtown -- about 34,000 a day and more on weekends. Many are suburbanites who had forsaken downtown Detroit.

"The casinos are definitely bringing up the city. People are not afraid to come down here anymore," Maria Savone, a 24-year-old from a Detroit suburb, said on a recent night at Greektown amid rows of ringing slots with names like "Nothing to Lose" and "Money to Burn."

But it is not clear that those who venture out to the casinos ever leave their windowless walls.

Many downtown businesses from barbers to convenience stores say they have seen no new customers and their regulars are spending less.

"They're spending all their money at the casinos and charging their \$4 lunches," lamented Colette Kadrich, a bartender at the Old Shillelagh bar and grill in Greektown, where some restaurants have seen business increase.

For compulsive gamblers like Marquita Crockett, the casinos have meant nothing but trouble.

"I wish they never came," said Crockett. "You can't win at the casinos."

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